

would be generated from the benchmark rates, assuming no change in the number of customers or selection of services. At the present, even without any rate reductions under the Commission's proposed regulations, Multi-Cablevision is not earning a net profit on it's cable service operations.

Multi-Cablevision's current rates exceed the benchmark rate prescribed by the Commission. Under the benchmark approach, Multi-Cablevision would be required to reduce it's current rates by an average of 15%, resulting in an annual loss of revenue of approximately \$600,000.00. The revenues we calculate we would receive under the benchmark rates are insufficient to meet our current expenses. In addition, the change in our Basic Rate would result in an increased copyright liability of \$80,000.00 per year. Further, our must carry stations from Detroit have notified us that they are electing retransmission consent and will seek some as yet undetermined cost to us for carriage of their signals.

Such a rate reduction would have an immediate, adverse and irreparable impact on the Company's ability to continue our current level of service to subscribers. In particular, the projected cash flow reduction would make it very difficult for Multi-Cablevision to service it's existing debt.

In addition, the cash flow reduction would prevent the company from obtaining further working capital loans necessary to continue or to expand it's cable service to subscribers and will

place us in default of the cash flow covenants of our loan agreement. Our lender would then have the right to call our loan, forcing us to sell the system or file bankruptcy.

Because the Commission has not yet released any regulations for "cost of service" determinations, Multi-Cablevision cannot determine what costs may be recovered or what rate of return it can expect to obtain. For that reason, we are reluctant to "elect" that option, which might prove to be worse than the benchmark rates. Moreover, without information on the expected rate of return under any cost of service approach, Multi-Cablevision will be unable to provide assurance to lenders and other sources of capital that it will continue to have the